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Women's Apparel Grows Up

Discounters Shift Fashion Spotlight To Older Women

By Kenneth M. Chanko
Nationwide DSN Report

Discount chains will be stocking more conservative styles, more in tune to their aging customer base, as they attempt to rebound from a nearly year-long downturn in women's apparel sales, which has affected everyone from upscale specialty stores to off-pricers.

News Analysis

Ironically, the industry-wide drought in women's apparel sales is the result of factors that several years ago would not have affected discounters to the degree they have over the past 10 months.

The factors most cited are a lack of fresh new looks (a common complaint from retail-



Slow women's apparel sales is a direct result of the upscaling of most discounters (as represented by this Bradless unit), which has led to a department store-like fashion vulnerability. (DSN photo)

ers), confusion over skirt lengths (most women, at this point, have rejected the mini-skirt), "the bulge of the baby

boom" (too much of an emphasis on juniors), and "sticker shock" (price increases on many items).

Discounters have been suffering along with their upscale counterparts precisely because they're more like de-

partment stores than ever before in terms of merchandise and environment.

In the past, most discounters would have missed the peaks and valleys of a fashion fad that played itself out at the upscale department stores and specialty stores. But now that discounters are reacting to fashion more and more quickly, many are in the same boat as the department stores, said analysts and retailers.

For example, if the mini-skirt look had hit four or five years ago, the majority of discounters wouldn't have committed to it for at least three to six months from when it hit upscale stores. And since the mini never really caught on in a major way, discounters would have taken note and would probably have eschewed the entire mini-skirt fad altogether.

But this time around, for example, (Continued on page 41)



Jewelcor chairman Seymour Holtzman (left) got Senator Arlen Specter, R-Pa., to speak at a conference warning about another senator's attempt to ban gray market imports. (DSN photo)

Catalogers Enlist Senator To Defend the Gray Market

By Richard C. Halverson

SECAUCUS, N.J. — The catalog showroom industry recruited U.S. Senator Arlen Specter, R-Pa., to beat the drums last month about a Congressional attack on gray market imports.

At a press conference orchestrated by Wilkes-Barre, Pa.-based cataloger Jewelcor, Specter expressed his support of stiffer enforcement of anti-

trust laws as a way to ensure that U.S. consumers enjoy the lowest possible prices and that Congress is poised to act to counter lax antitrust enforcement under the Reagan administration.

The National Association of Catalog Showroom Merchandisers (NACSM) and Gruen Marketing, a gray market watch importing arm of Jewel-

(Continued on page 42)

Court Approves Heck's Plan to Shutter 35 Units

NITRO, W.Va. — Heck's has received bankruptcy court approval to close 35 stores that accounted for \$6 million of its \$61.3 million loss last year.

The fourth round of closings since 1986 will slash store count to 83, half of the 1986 high of 165. The number of Heck's units will fall to 71 from 92 and the number of stores the chain operates under the Maloney name will be more than halved to 12 from 26. Consolidated sales will tumble to about \$300 million from \$417.8 million in calendar '87.

In addition, a Chapter 11 bankruptcy judge extended until Aug. 1 the discounter's period for filing its own plan for reorganization. That makes at least the third extension of the period during which Heck's was protected from having creditors force their own reorganization plan or even drive the chain into involuntary Chapter 7 dissolution.

Proceeds from closing the stores and liquidating inventory will be placed in escrow, Heck's said, and are expected

to help finance reorganization.

Anywhere from 700 to 1,000 employees will lose their jobs when 21 Heck's stores and 14 smaller stores that operate under the Maloney name are closed. The firings will include 35 of 200 headquarters employees.

Kentucky will bear the brunt of the Maloney closings, accounting for 13 of the 14, along with two Heck's. The state previously had 20 Maloney units.

(Continued on page 41)

Loehmann's Sale Accents Changes Among Off-Pricers

NEW YORK — The sale last month of Loehmann's, one of the original off-pricers, underscores the intense competition in today's apparel discounting business.

May Department Stores Co., which acquired the Bronx, N.Y.-based off-pricer when it merged with Associated Dry Goods Corp. two years

ago, has agreed to sell the 77-unit chain to an investor group led by a Spanish concern, Se-finco Ltd., and the Sprout Group, a division of the Donaldson, Lufkin & Jenrette Securities Corp. Terms were not disclosed.

While a May Co. spokesman said the offer was "unsolicited" (Continued on page 41)

K mart Unveils Girls' McCall's

NEW YORK —

K mart and McCall's have joined forces to publish a special promotional magazine targeted at 6- to 12-year-old girls. Called *Betsy McCall Magazine*, it will be a "daughter's version of mommy's magazine."

It will debut in McCall's September issue and be distributed in all K mart stores. Betsy McCall licensed toys and clothing are planned.

Study: Upscale Continues

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Sporting Goods: Prices Head Up

Automotive Specialists

MARKETWATCH

Wal-Mart Donates Fans to Parched Midwest

BENTONVILLE, Ark. — Wal-Mart, in cooperation with two major U.S. manufacturers, has donated 10,000 20-inch box fans, valued at \$125,000 to \$150,000, to relief groups in the 25 states in which the retailer does business. The fans are meant to help the elderly and disadvantaged beat the heat wave that has parched the Midwest and most of the South through June and July. The fans were manufactured by Toastmaster Inc. of Columbia, Mo., and Lasko Metal Products, West Chester, Pa. The bulk of the financial responsibility was assumed by Wal-Mart, a company spokesperson said, although both manufacturers donated significant amounts to the effort.

Coleco Files for Chapter 11 Relief

WEST HARTFORD, Conn. — After failing to gain creditor approval to restructure its finances, Coleco Industries has filed for Chapter 11 bankruptcy protection. Coleco is the nation's fifth-largest toymaker. The toymaker, whose fortunes rose and fell on the backs of Cabbage Patch dolls, also announced that chairman and chief executive officer Morton Handel, recovering from major surgery, has stepped down. President J. Brian Clarke has assumed those positions. A crisis management consultant, Antonio C. Alvarez II, has joined Clarke in the newly formed "office of the chief executive."

NACSM Elects New President, Treasurer

HAUPPAUGE, N.Y. — The National Association of Catalog Showroom Merchandisers has elected Jean Cotichio as its president and George Seitzinger as treasurer. It also moved its headquarters here. Cotichio previously was sales manager for *Upscale Discounting* and a sales representative with Procter & Gamble. Seitzinger is Best Products' vice president, marketing communications. NACSM is now located at 740 Veterans Memorial Highway, Hauppauge, N.Y. 11788. Phone: (516) 979-0166.



Target Names Pellegrine New Sr. VP

MINNEAPOLIS — Target Stores last month received a new senior vice president of marketing from its sister company Dayton Hudson Department Stores. John Pellegrine, who replaces now-retired Sonja Larsen at Target, reports directly to company ceo and chairman Robert Ulrich. Pellegrine first joined Hudson's in 1969 as director of advertising and most recently held the position of senior vp of marketing at Dayton Hudson Department Stores. Target spokesman George Hite said there will not be any immediate changes in the company's advertising.

K mart Plans Hypermarket Bank Operator

TROY, Mich. — K mart is expected to decide on a financial service center operator for its American Fare hypermarket in Stone Mountain, Ga., by this fall. The financial service center will be among a number of specialty stores in the hypermarket, a joint venture between K mart and the Bruno's supermarket chain. K mart already leases out space in many of its discount stores for financial service centers to a number of banks and other institutions.

Target Opens 9 Units in Pacific Northwest

MINNEAPOLIS — The Pacific Northwest has been inundated with the first wave of Target stores, part of a planned invasion of 35 sites by 1993. Opened in late July were four stores in the Portland, Ore., area and five sites in the greater Puget Sound market in Washington state—placing Target in competition with such local chains as Fred Meyer and Bi-Mart.

HSN Tests Financial Planning Services

ST. PETERSBURG, Fla. — Teleshopper Home Shopping Network last month began testing marketing financial services in Dallas and Houston through a joint venture with the American General Life Insurance Co. HSN's Wealth Planning Resource Center subsidiary and American General are jointly offering financial planning services to Home Shopping Club members in the two Texas cities as well as nationwide through AGLI's 3,800 agents.

FOR THE RECORD

Operating earnings for Trak Auto were incorrectly reported in the July 4 census issue. The correct figures are \$8.4 million for the year ended Jan. 31, 1988, up steeply from \$1.4 million in the previous year and \$7 million in fiscal 1986. Trak Auto's store count grew from 212 as of January 1987 to 245 as of January 1988. The company projects its store count to increase to 275 by the end of this year.

Ward Completes \$3.8B LBO; Specialty Strategy Continues

CHICAGO — The \$3.8 billion leveraged buyout of Montgomery Ward & Co. from Mobil Corp. has been completed, announced the 323-unit retailer, headquartered here.

The deal for Montgomery Ward, which is now owned by an investor group led by company chairman and chief executive officer Bernard F. Brennan, became effective on June 23. The buyout was first announced on March 7, 1988 (see *DSN*, March 28, page 1).

"We are excited about our new independence and as 'owners of the store' we will continue to concentrate on our value-driven specialty store strategy," Brennan said in a prepared statement.

When the LBO was first announced, Brennan told *DSN* that Montgomery Ward was looking to expand the chain through its specialty divisions—Electric Avenue, Home Ideas, Auto Express and The Apparel Store—plus launch the new athletic footwear department and create a strong seasonals area.

He said Montgomery Ward planned to open 22 new stores and convert over 50 more to its

new specialty formats this year. Soon after that, in April, the Chicago-based retailer opened six stores, including three in the Indianapolis area, a new market.

Brennan also said that Montgomery Ward may even consider acquiring a company of its own "if an acquisition made sense." So far, no acquisition has been announced.

Although Brennan led the investment group in acquiring Montgomery Ward, he was part of a team that included an unspecified number of senior executives at Montgomery Ward, GE Capital Corp., a unit of GE Financial Services, and Kidder Peabody, an investment banking and securities firm.

The \$3.8 billion price tag included \$1.5 billion in cash plus the assumption of \$2.3 billion of debt.

The debt was immediately reduced by \$1 billion, however. As part of the LBO, GE Capital assumed ownership and responsibility for the retailer's private label credit card operation, which remains available to Montgomery Ward customers.

3 More Catalog Showroom Chains Forced to Close Their Book for Good

Nationwide DSN Report

Add four more local catalog showroom operators—Key Catalog Showrooms, R & R Jewelry, Wilkor Jewelers and Standard Showcase—to the chains leaving the industry.

The four join United Jewelers, a showroom-format specialty chain, which has already phased out almost all its stores (see *DSN*, July 4, page 2).

Unlike United, which filed a Chapter 11 plan, the other four catalogers either closed their doors or are liquidating their businesses without resorting to a bankruptcy petition. While the reasons for their moves vary, the four catalogers were small operators showing stagnant or small sales gains that hadn't pursued any aggressive expansion during the past few years.

Allied Wholesale president Ed Bowles said that its Key catalog arm, the largest of the four with nine showrooms and about \$33 million in volume, was closing because of a "change in consumer buying habits, particularly a decline in shopper interest in discounted goods." Key had been a member of the Premier Merchandising & Marketing division of Paul Schultz Catalogs.

Wilkor and R & R cited sim-

ilar reasons for their going out of business. In notes to their creditors, each said that their bank had called in loans, leaving them with no choice but to close.

Wilkor was a four-store, \$27 million chain that had been a member of the Associated Charter group. R & R had five stores with about \$25 million in volume. It had been a member of the American Merchandisers group.

The retirement of Standard Showcase's owners was the reason that the two showrooms and one jewelry specialty store chain closed. The company had about \$15 million in sales and also was a member of the Premier Merchandising & Marketing group.

Silverman Jewelers Consultants, a liquidator, is conducting the GOB sales for Wilkor, Key and R & R and handled Standard's liquidation.

DSN's Kennedy Named Eastern District Manager

NEW YORK — John Failla, national sales manager of *DSN*, announced the promotion of Kevin Kennedy to the position of Eastern district manager.

Kennedy has been area manager working out of *DSN*'s New York office for the past three years. He is now responsible for managing all of *DSN*'s business in New York, New Jersey, eastern Pennsylvania, Maryland, Delaware, Virginia, North Carolina, South Carolina, Georgia and Florida.

Kennedy was also named 1987 *DSN* Salesman of the Year.

Prior to joining *DSN*, Kennedy was a regional manager for Miracle Gro plant food. He holds a bachelor's degree from Holy Cross College, Worcester, Mass.



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One-Price Clothing Chains Set to Slug It Out

By Mary Ellen Kelly
MONTGOMERY, Ala. — Competition within a growing category of the women's apparel market—one-price clothing stores—is expected to heat up here in the Southeast following the grand opening of seven Simply \$6 stores in the region last month.

Customer response to the new stores during the grand opening suggests the chain could be a formidable apparel competitor in the market.

Simply \$6—a new operation created by Birmingham, Ala.-based discount chain, Bargain Town USA, and its Montgomery, Ala.-based parent, Kinder-Care Specialty Retail Group—is encroaching upon the turf of the region's one-price chain leader.

One Price Clothing, with 127 stores in seven Southeastern states, had been the sole one-pricer in the region before Simply \$6 opened. Based in Duncan, S.C., the majority of One Price Clothing's stores are in the Carolinas (43 in South Carolina and 38 in North Carolina) and Georgia (22). The chain also has stores in Tennessee, Alabama, Virginia and West Virginia.

The two retailers' market



Simply \$6, a new one-price apparel chain, received a high-traffic welcome from Birmingham, Ala., shoppers during its grand opening last month. By year-end, 30 units are slated to be open. (DSN photo)

areas overlap in Alabama and Georgia. Simply \$6 has staked out Tennessee, Florida and Mississippi as other states where it will open stores before year-end.

Five of the seven Simply \$6 stores were opened in Alabama: Tuscaloosa, Talladega, Jasper, Arab and Birmingham. The other two were

opened in Carrollton, Ga. The company plans to open about 70 stores per year.

The two retailers not only share market areas, but similar merchandising strategies as well. Both sell women's apparel, all priced at \$6. They operate 3,000-square-foot units, utilize a gray and red color scheme, target lower-to

moderate-income shoppers, and have staked out the Southeast as the region to blanket before moving to other areas.

"We're the one they're copying," said Raymond Waters, vice president and treasurer of One Price Clothing.

Both also wield enough assets to wage an aggressive,

long-term market battle. Kinder-Care, which last year diversified into retailing, is the nation's largest children's day care operator with 1987 revenues of \$506 million.

One Price Clothing, which originated with three stores in 1984, generated \$41 million in sales by the end of 1987, up from just \$25 million in '86 and \$7 million during '85.

At the opening of the Birmingham Simply \$6 store, women carried armloads of sportswear—including over-run and closeout blouses, pants, blazers, sweaters, skirts, dresses and shorts—to the store's six dressing rooms and then to the registers.

Simply \$6 does not sell jewelry, hosiery or other fashion accessories. Plus-size merchandise is well represented in the rear of the store; petite apparel is intermixed with regular-sized garments.

Rodney Barstein, Bargain Town USA president, said there will be little if any merchandise overlap between Bargain Town and Simply \$6. Bargain Town operates 58 discount stores in the Southeast. For now, Bargain Town merchandisers handle the buying duties for Simply \$6.

Audio, Video Tape Price Hikes Shift Discounter Emphasis to Off-Brands

By Peter Hisey

Nationwide DSN Report

While prices on name brand audio and video tape, both mass market staples, will rise 10 percent to 12 percent this summer, the increase could actually give discounters an improved market position.

On the whole, discount buyers don't seem especially worried, noting that the increased price of many name brands will only increase the appeal of

off-brands, where discounters have a decided edge over the competing specialty chains.

In the past two months, most major recording tape manufacturers, including BASF, Sony, Maxell, Fuji and TDK have announced price jumps, as well as a near universal end to rebates and other "price war" promotions. The result, retailers say, will be a slight decline in unit sales.

The accent is on "slight." As

a buyer at Indianapolis-based The Wholesale Club noted, "in real dollars, this is not a major factor in the buying decision." With tapes selling in the \$2 to \$4 range, the increase will total some 20 cents to 50 cents per tape. "That might deter some people, and others might buy less than they otherwise would have, but overall, the effect should be minimal," the retailer said.

(Continued on page 23)



NHMA Avoids CES Conflicts

The National Housewares Manufacturers Assn.'s January 1990 show has been rescheduled for Jan. 14 to 17 to avoid a conflict with the Consumer Electronics Show. Earlier, the NHMA changed its 1989 show dates to Jan. 15 to 18 to resolve a similar conflict. Last month's NHMA show did little to settle industry debate over the need for a second housewares show, see Editorial, page 6. (DSN photo)

Graying Baby Boomers Spur Market for Reading Glasses

Nationwide DSN Report

Makers of non-prescription reading glasses are focusing on the graying of America as the prime factor in a new boom in a century-old product.

Suppliers estimate the category is growing at a 20 percent clip as the Baby Boom generation approaches the prime age

for becoming a customer: 40.

At that age, the fine print starts to get a bit fuzzy for many adults, and they're ready to become consumers of inexpensive reading glasses that offer excellent margins and high profits per square foot.

(Continued on page 19)



K mart's Piqua, Ohio, store merchandises reading glasses in the health and beauty aids department. Stores without pharmacies generally locate the product on the jewelry counter. (DSN photo)

June Discount Store Sales

Chain	June '88 Sales (In Millions)	June '87 Sales (In Millions)	Percent Change	Same Store Sales Percent Change
Circuit City	\$ 121	\$ 88	37.0%	9.0%
Wal-Mart	1,620	1,230	31.7	13.0
Target	NA	NA	27.0	3.0
Jamesway	80	69	15.9	3.0
Caldor	175	156	12.1	8.7
Hills	124	113	9.2	2.6
Ames	212	198	7.5	3.4
K mart	2,596	2,430	7.0	2.9
Venture	107	103	3.9	(1.1)
Zayre Stores	NA	NA	(3.0)	(8.5)

()—losses NA—not available

Source: DSN research

June Sales Better Than Anticipated

Nationwide DSN Report

Even allowing for a "touch of inflation," discount store sales in June were "pretty good," concluded Dan Barry, retail analyst for Kidder Peabody, New York.

Barry's index of same store sales gains for eight major discounters showed a 5.3 percent gain this June, up from 4.8 percent in the same month of

1987. The results reflect a "re-awakening of mid-America," Barry said.

Fashions are still doing relatively poorly, Barry said, but that affects department stores more than discounters.

A factor that distorted the year-to-year comparisons is that July 4 fell in the '87 reporting period—but not in '88. "Our same store sales in-

crease for June was reduced by the shift of one week of promotional advertising from June last year to July this year," Ames Department Stores president Peter B. Hollis said in announcing results. "We anticipate that this advertising shift... will contribute to higher sales increases for July."

(Continued on page 42)

Apparel

Discounters Reject Down-and-Dirty Look

By Peter Hisey

NEW YORK — Environmental upscaling in apparel departments will continue to gather steam over the next year, a survey sponsored by DSN concluded.

The survey, conducted by New York-based Jerard Less Inc., polled 25 major discount department and off-price specialty chains in late spring about a variety of upscaling issues. The short-form result: Discounters see upscaling as a key method of increasing and maximizing sales in their apparel departments.

Overall, about four of five retailers contacted said upscaling store environment was either important or very important to the company's thinking. The remaining fifth said upgrading was somewhat important. The down-and-dirty discounting concept may be a thing of the past, with none of the respondents feeling that upscaling was unimportant.

Significantly, smaller chains, which included several fashion-forward specialty outlets, were only slightly more sold on upscaling than larger chains, most of which were full-line discount department stores. While smaller stores were more likely to call upscaling very important, larger chains were far more likely to consider it "important."

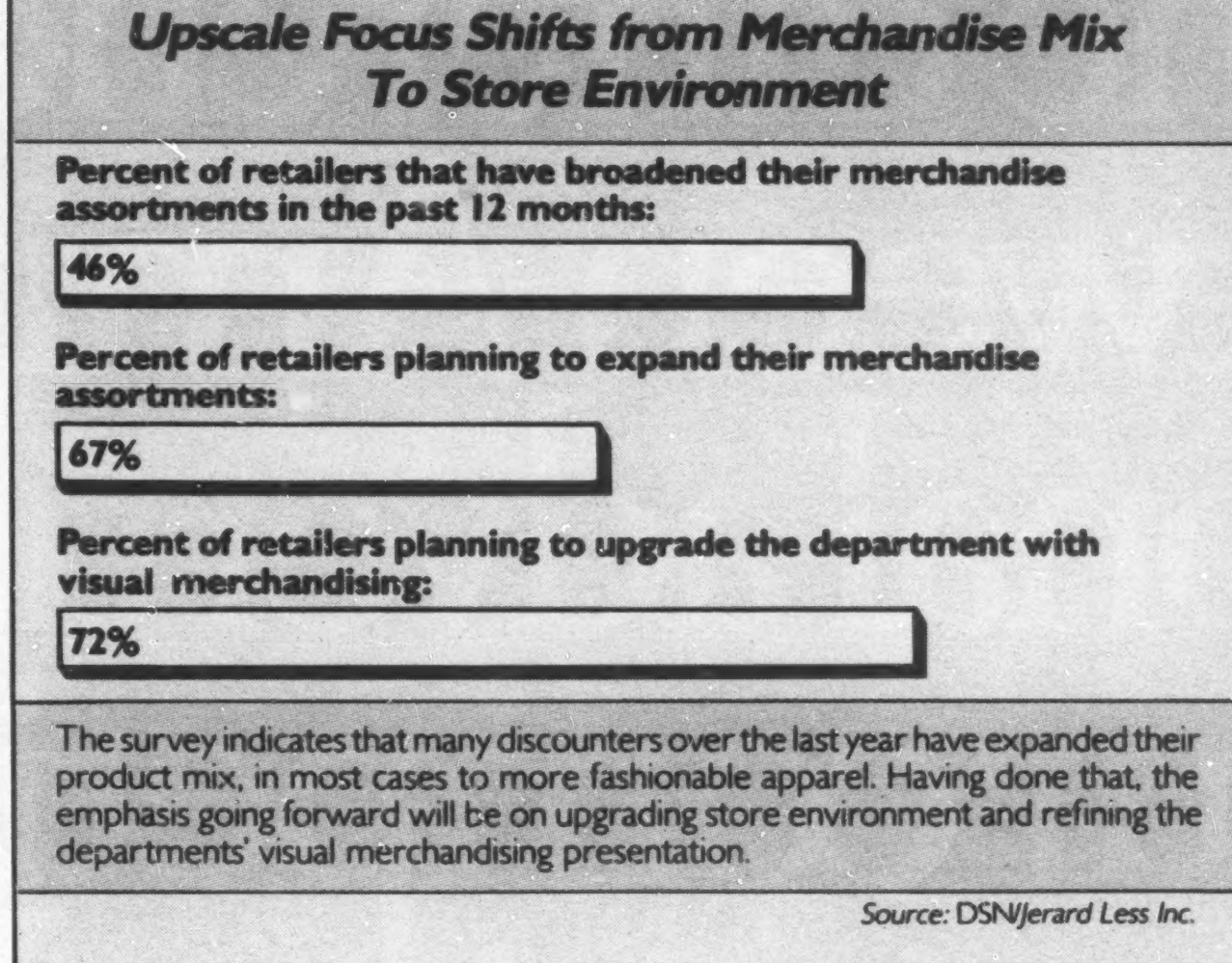
An overwhelming percentage (84 percent) of both smaller and larger chains plan to engage in some form of upgrading within the next 12 months. Smaller chains are marginally more likely to consider upgrading.

Size made no difference in general upgrading plans, and those considering upgrading evidently planned to be thorough. Equal percentages of smaller and larger stores planned to both upgrade fixtures and upscale visual merchandising.

Specific plans did vary by size of operation. While increasing graphics and pictorial signing was a popular option with both small and large chains, smaller chains tended to favor department store-like touches such as shop-within-a-shop concepts, mannequins and acrylic silhouettes.

Larger chains took a more macro approach, favoring increased use of focal walls, fashion coordination, port-a-walls, mood selling and creating a high-tech look.

About one-third of respondents are using POP video merchandising aids now, and about 15 percent plan to add video cubes in '88. These are



low totals compared to department store use of video merchandising.

Nearly all respondents have altered their floor plans as an upgrading step. All of the larger chains and all but two of the smaller ones made a change in layout. Although the moves varied in detail, the thrust in different size chains was similar. Racetrack designs were common, as was refining space allocation.

Smaller chains tended toward department store touches like new carpeting and creating a "lifestyle" atmosphere, while larger chains favored more service-oriented changes, such as attaching point-of-sale information to new items.

Service orientation as a whole has become a major concern among retailers. About 85 percent of those queried said that service has become important to his or her store's thinking, with smaller chains slightly more likely to stress service than larger chains. While several respondents noted that budgetary constraints tend to limit service, most stores added that they have beefed up training programs and employee incentives.

That can take the form of more training or different training. One respondent noted, for instance, that its training program is aimed at establishing a more direct customer-to-salesperson relationship. At the other end of the spectrum, a larger chain

said that its approach to improving service is to continue to work at improving its self-service layout.

The range of answers pointed out the split in thinking on service—most thought in terms of adding more and better-trained saleshelp, yet others addressed it technologically, thinking in terms of improving customer access, POP information and check-out procedures.

While larger chains seemed to be more involved in technology, several of the smaller chains also mentioned technological-type upgrading.

Despite recent attention to fashion-forward presentations, deeper stock and "value-pricing," most discounters seem to feel that they will have to continue to play the lowest-price game. Overall, 70 percent said that the move by competitors to more and lower off-pricing will affect their business strategies, and an overwhelming 90 percent plan to meet low prices with lower ones, with larger chains more likely to respond to lower prices than smaller chains.

However, lower prices is only one part of the equation. Most of those queried planned other competitive strategies, the most popular of which were everyday low-price concepts and more promotional pricing. Attention to assortment depth received some support, and combinations, generally involving everyday low

pricing, were also popular.

While responses were fairly consistent among the two groups of stores, they varied widely when respondents were asked what strategy was most appealing to customers. Nearly half of smaller-chain execs said that everyday low pricing was the most appealing to their customers; less than 30 percent of larger chains agreed. Larger chains were heavily promotional (55 percent), and less than one-quarter of all respondents, regardless of size, felt that deep assortments were most appealing. Price remains the No. 1 element in attracting customers.

At the same time, the retailers polled are beefing up their fashion selections. Both large and small chains increased fashion merchandise about 15 percent last year, smaller chains to 54 percent of their total mix, larger chains to about one-half of their mix. These results were affected by one smaller chain that reduced its fashion merchandise by a hefty 30 percent.

A large majority of retailers divide their open-to-buys into fashion and basics, with larger chains slightly more likely to do so.

Smaller chains overwhelmingly agreed that the increased attention to fashion was a move to upscaling (100 percent) and would step up price points (over 90 percent). In contrast, larger chains said that increasing fashion mix was not an upscaling strategy (56 percent) and split down the middle on whether it would mean higher price points.

While about two-thirds of the retailers have expanded their merchandise assortments over the last year, less than half plan to do so this year. Those that are planning on expansion were primarily lukewarm on the subject. "We're looking at a few new lines," one said. "We're going to better coordinated groups as opposed to separates," said another. Other plans included expanding scarves selection, adding on to accessories and building up plus sizes.

This survey was conducted earlier this year by Jerard Less Inc., a New York-based market research group. Letters were mailed to prospective respondents explaining the survey before phone calls were made. Respondents ranged in responsibility from vice president to buyer of mass merchandisers, discounters and off-price apparel chains. All respondents were guaranteed total anonymity.

MARKETWATCH

NEWARK, Calif. — Marshalls, the country's No. 1 off-price apparel chain, dismissed a store manager here over a memorandum that instructed store employees to refuse returned linens items from black customers. The store manager, Eva Vidal, wrote the memo and had it posted under glass at a cashier's counter. It read: "If any black person returns any sheet sets, refuse a cash voucher or exchange or credit for any reason." The customer, Cynthia Sterling, a black woman, said Vidal implied that the \$80 comforter, which she wanted to exchange, had been stolen because

she didn't have a receipt. But Sterling said Vidal declined to check store records. When contacted by DSN, Francis Arnone, president of Marshalls, declined to comment further on the incident. He was quoted in an Associated Press story on the incident as saying he was "personally embarrassed and appalled," and that he had apologized to Sterling. It was also reported that the local chapter of the N.A.A.C.P. plans a meeting to discuss the incident, as well as a possible boycott of the Wakefield, Mass.-based off-pricer. Marshalls operates 297 units in the United States.

NEW YORK — Sy Syms (right), chairman of Syms, the off-pricer based in Secaucus, N.J., and national chairman of State of Israel Bonds, received the Israel 40th Anniversary Gold Medal at an international dinner held recently at the Waldorf-Astoria under the auspices of the Bond Organization. Presenting the medal to Syms are Ambassador Walter Annenberg (left), America's former chief envoy to Great Britain, and Jack Weiler (center), international chairman of the Israel President's Club. More than \$77 million in Israel bond subscriptions were announced



at the dinner, which had over 1,000 attendees from three continents.

DURO DECLARES WAR ON RUST

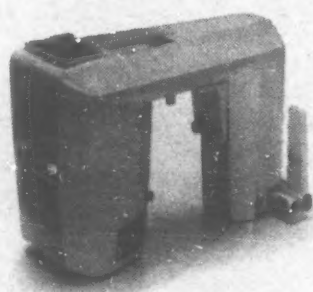


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Catalog Chains Enlist Pa. Senator To Defend Gray Market Imports

(Continued from page 1)

cor, jointly sponsored Specter's appearance and split the cost of his \$2,000 honorarium.

The purpose of their effort was to generate publicity in opposition to a rider to a Senate bill that would ban gray market imports. Filed July 6 by Sen. Orrin Hatch, R-Utah, the rider would be attached to a House-passed bill that would ban retail price fixing. The measure is scheduled for a Senate floor vote the first week of August (see Washington Report, page 6).

"Passage of the amendment would unnecessarily raise prices of foreign-made goods to American consumers," NACSM said in a release.

But the trade association does support the basic bill, S 430, which was sponsored by Sen. Howard Metzenbaum, D-Ohio. "This bill seeks to prevent retail price fixing by suppliers," the statement said. "Major Japanese manufacturers have approached catalog showrooms since the U.S. Supreme Court decision in the Sharp case, on May 5, 1988, urging catalog showroom and other retailers to adhere to minimum selling prices."

In the Sharp decision, the U.S. Supreme Court said a supplier could cut off a discount and still comply with antitrust law, as long as the vendor didn't conspire with others to set a specific price. If passed, the Senate bill would overturn that decision.

The Hatch amendment would overturn another Supreme Court decision, rendered May 31, that said gray market goods, in most circumstances, are legal.

A Hatch staffer conceded that the senator filed his amendment as a way to fight S 430. Hatch sent fellow senators a letter soliciting support for his gray market ban, the staffer said, and may file his amendment as a freestanding bill on its own.

In a bid to undercut the

Hatch amendment, NACSM leveled charges at the conference that Seiko, a major Japanese watch supplier, is leading the fight to ban gray market imports and at the same time selling watches through its Ocean Distributors subsidiary to Blue Spot Inc., a gray market distributor in New York.

In turn, Blue Spot, is supplying watches to such discounters as Target and possibly Price Club, said three American ex-Seiko employees. They asked to remain nameless, although they appeared publicly at the press conference.

The ex-Seiko executives publicly charged that shipments were sent by Seiko to Blue Spot under the name Sheva B'rachot, or Seven Blessings, a Hebrew phrase referring to post-wedding celebrations. However, the speakers produced no invoices or other evidence to support their charges.

Blue Spot president Irving Zifir denied that his company has "any Sheva B'rachot division." He refused, though, to answer the question of whether his company has accepted shipments from Seiko in the name of Sheva B'rachot.

Through his secretary, Seiko president Robert Pliskin said he was too busy at presstime to comment on the NACSM allegations.

Seiko has been leading the fight against gray market goods, said Richard Kelly, NACSM counsel. Such opponents argue that gray market goods should be banned because consumers fail to get a manufacturer's warranty on them and that discounters of such goods get a free ride on manufacturer advertising and promotions to support their authorized U.S. distributors, Kelly said.

Seiko's actions cause that "argument to fall of its own weight," Kelly said at the conference, held in Gruen Marketing's Secaucus headquarters.

Kelly alleged that since 1983, Seiko has been selling a "substantial number of watches to gray market distributors." Catalog showroom operators provide their own warranties, he added.

The three ex-Seiko employees, who now work for a U.S. gray market distributor, said Seiko sold an estimated \$50 million worth of goods (wholesale) on the U.S. gray market last year, equal to about 1 million units.

"It's important for Congress to know" about Seiko's activities, Kelly said. Retail price maintenance and gray market imports are "flip sides of the same coin," Kelly said.

NACSM intends to send a letter to the Senate Judiciary Committee documenting its charges about Seiko and detailing efforts of foreign suppliers following the Sharp decision to enforce retail price fixing by threats of cancellation, Kelly said.

During his talk, Specter, who sits on the Judiciary Committee, expressed dissatisfaction with antitrust enforcement under former Attorney General Edwin Meese and predicted that "Congress will promote action to bring goods to American consumers as cheaply as possible."

"Watches ought to be brought to consumers as inexpensively as possible without manufacturers setting prices," Specter said.

During questioning following his talk, Specter said he had no independent knowledge about any Seiko gray market sales or those of any other supplier.

"I don't know what Seiko's policies are," Specter said. If Seiko gray market sales can be confirmed, however, that would "undercut their contention that there shouldn't be gray market goods," he said.

"Congress has established a broad principle: stop price fixing in the interests of getting the lowest price for consumers," Specter said.

June Sales Better Than Anticipated

(Continued from page 3)

Blistering weather also contributed to hard goods sales in June. At Circuit City, Richmond, Va., for example, the June sales increase of 37 percent (see chart on page 3) reflects "strong demand for air conditioning," president and ceo Richard Sharp said in a release.

At Jamesway, Secaucus, N.J., hot June weather boost-

ed sales of seasonal categories—air conditioning, patio furniture and fans—propelling the chain to a 16 percent sales gain, 8 percent on a comparable store basis.

Any effects of the Midwestern drought are expected to appear in July sales figures. Sales of lawn mowers, for instance, have dried up for one Midwestern-based chain, while sales of lawn sprinkling

systems are spurting, its spokesman said.

Comparable store sales gains ranged from a high of 13 percent at Wal-Mart, Bentonville, Ark., to an 8.5 percent decline reported by Zayre Stores, Framingham, Mass. (excluding TJX Cos. and BJ's Wholesale Club).

Wal-Mart's figures exclude results from its Hypermart USA in Garland, Texas, because it is a joint venture. It does include 1,177 Wal-Mart stores, 87 Sam's Wholesale Clubs, 14 dot discount drug stores and one wholly-owned Hypermarket USA, located in Topeka, Kan.

"Zayre is up against a highly promotional period last June," treasurer Steve Wishman said. The decline in sales this June stemmed primarily from "a lower level of promotionality," he said.

Venture, O'Fallon, Mo., also reported a decline of 1.1 percent on a same store basis.

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Hardware Buyers Wired to Cordless

Cordless power tools and products geared to women shoppers are among the new products, merchandising programs and packaging innovations expected to drive discounters' hard lines business in the coming year. See DSN coverage of the National Hardware Show, beginning on page 33. (DSN photo)

K mart Joins Prodigy Service; Looks to Gain Upscale Market

By Arthur Markowitz
TROY, Mich. — In a major thrust into electronic retailing, K mart plans to start advertising on Prodigy, the interactive computer shopping and information service, early next year.

K mart is the first discounter to join Prodigy. Its move has major ramifications for the retailer, the electronic retailing business and Prodigy.

The linkup with Prodigy is part of K mart's marketing effort to reach "leading-edge," upscale, technology-oriented shoppers who currently aren't part of its core base of customers, but who are seen as electronic retailing shoppers.

K mart's signing with Prodigy is a big boost—providing greater credibility—for both the electronic retailing field and for the computer shopping service. Prodigy, a \$400 million-plus joint venture between IBM and Sears, Roebuck & Co., launched its service in three markets June 1 (DSN, May 23, page 7).

Available for a fee of \$9.95 per month, Prodigy is a videotex service that allows personal computer users to access a broad range of goods and services. Next year Prodigy plans to

launch an electronic data interchange service for retailers as part of its plans to augment its consumer orientation with services specifically geared for businesses.

Page 2 Newsbreakers:

- Haft's at it again: Dart Group chairman plans to acquire a large stake in Zayre.
- Sears gets branded: With Brand Central, it takes aim at CE and appliance business.
- Twin killing: Developer to pair hypermarket & dept. store in Minneapolis.
- Super Costco: Wholesale club will open hypermarket-type superstore in Seattle.

By adding K mart to its list of over 100 retailers, direct (Continued on page 58)

Drought Sets Back Lawn & Garden

By Richard C. Halvetson
Nationwide DSN Report

For the lawn and garden industry, 1988 is going down as the Year of the Drought.

Water rationing began as early as mid-May in Atlanta, and got so severe in Northern California that K mart had to stop selling green goods in 25 to 35 stores because its water allotment was too little to keep plants alive.

But, while the drought wiped out sales of lawn care products in many areas of the country, retailers are hoping to reap better sales next spring as homeowners replace shrubs and

Mother Nature Wilts Sales

trees that died and reseed scorched lawns.

In a broad band of the Midwest extending to the East Coast, many communities barred residents from watering lawns and shrubs. Lawns turned brown, and shrubs and trees died.

Robert Armstrong, senior horticultural buyer for K mart, said conditions are "the worst that I can remember" in 33 years in the business. States such as Iowa, Kansas, Michigan, Ohio and Wisconsin experienced a severe loss of shrubs and even mature trees, he said.

(Continued on page 48)

Riding Mowers, Garden Tractors Bright Spot in Dry Year

By Laura Liebeck

LOUISVILLE, Ky. — Sales of outdoor power equipment should rise 5 percent in 1989 over 1988, predicted an economist during a press conference at last month's Lawn, Garden & Outdoor Power Equipment Expo here.

Describing this year's drought as a "one-year

blip" that brought a premature end to what was shaping up as a promising year for outdoor power products, economist Ray Daniel said 1989 will be "a good retail year" if the weather patterns return to normal.

Daniel even found a positive side to this (Continued on page 56)

Industry Leaders Honored at SPARC



Joseph Antonini



Sol Price



Wolf Schmitt

NEW YORK — Joseph E. Antonini, chairman, president and ceo of K mart, has been elected Discounter of the Year by readers of DSN. Antonini, with Price Club founder Sol Price (inducted into the Discounting Hall of Fame) and Rubbermaid Home Products Division president Wolf Schmitt (Vendor of the Year), were slated to be honored at the annual SPARC awards dinner on Aug. 14. See profiles of these discount industry leaders, pp. 15-19.



K mart Unwraps Office Square

Frank Denny, chairman of K mart's Builders Square subsidiary, took the wraps off the discounter's latest specialty store concept: Office Square. The new 25,000-square-foot office products megastore opened its doors on Aug. 3 in Palatine, Ill., about one hour from downtown Chicago. The store offers 9,000 sku's. (DSN photo)

K mart
Hosiery

0024037C
MS JEANNE LONG
CONGRESSIONAL INFO SVC
4520 EAST-WEST HIGHWAY
BETHESDA MD 20814

Hardware Buyers
Hunt Trends

Drought Parches
L&G Sales

MARKETWATCH

Dart Group Eyes Zayre Corp. Stock

FRAMINGHAM, Mass. — Zayre Corp., the subject of many takeover rumors, most recently involving shopping center developer Edward DeBartollo, has now caught the eye of corporate raider Herbert Haft. Haft, whose Dart Group failed in a number of earlier bids, including one to acquire Dayton Hudson Corp., earlier this month notified the discounter that his company plans to buy at least \$15 million in Zayre stock. This would amount to about 1.5 percent of Zayre's outstanding shares. Given his track record, many observers doubt Haft really seeks to acquire control of the troubled discounter. Zayre chairman Maurice Segall, shrugging off the bid as "unsolicited and unilateral," earlier said that Zayre would report a large second quarter operating loss, primarily due to its discount store division. Zayre also reported an 11.7 percent revenue gain in July to \$422.3 million, and an 11 percent gain to \$3 billion for the 26 weeks ended Aug. 1.

Costco to Open Seattle-Area Superstore

KIRKLAND, Wash. — Costco Wholesale, the 43-unit membership warehouse club chain here, said it will open a consumer-oriented superstore in the Seattle area in March. Costco president Jim Sinegal said the presently unnamed venture, which will be located at Federal Way, will fill a void in the marketplace, while also allowing the company to draw on the merchandising talents of its executives who have past experience with former food/non-food combination retailers like Gemco and Fedmart. The 155,000-square-foot unit will contain 15,000 sku's and operate on margins of around 20 percent, compared to the typical 3,200 sku's and 10 percent margins of the wholesale clubs, according to sources.

Hechinger Interested in Bradlees Stores

BRAINTREE, Mass. — Hechinger, the Landover, Md.-based home center chain, is the latest company to take an interest in Bradlees' 58-store Southern region, which the discounter's parent company, Stop & Shop, put on the block in May in an effort to reduce \$1.4 billion in debt. Like previously mentioned retailers, including The Home Depot, the Atlanta-based home center chain, and discounters Clover, Philadelphia, and Gee Bee, Johnstown, Pa., Hechinger appears interested only in select stores. Stop & Shop wants to sell the region as an ongoing business, although several industry observers regard that as unlikely. DSN has learned that Stop & Shop has placed an undisclosed deadline on the sale of the region. After that deadline, some industry observers believe Stop & Shop will be willing to sell the region in parts.

Cullum Cos. Agrees to \$380M LBO

DALLAS — Cullum Cos., Wal-Mart's supermarket partner in two Hypermart USAs in the Dallas market, has agreed to a \$380 million leveraged buyout by a group composed of top management and a Morgan Stanley LBO fund. Holders of Cullum's 16.9 million shares are expected to approve the pending buyout offer. The buyout could see the resulting privately-held Cullum more aggressively pursue the launching of hypermarkets, either in conjunction with Wal-Mart or apart from the discounter. The second Cullum/Wal-Mart Hypermart USA opened in Arlington earlier this month.

Saveco Converts Unit to Mini-Hypermarket

RIVERSIDE, Calif. — Saveco, which filed a Chapter 11 bankruptcy petition earlier this year, has converted its one store here from a membership warehouse format to a open-door mini-hypermarket. The company, which lost \$3.8 million on \$17.5 million in sales last year, is running the grocery section while apparel, books, health and beauty aids, and auto goods are being sold on consignment.

Stanley Works Files Trademark Suit

NEW BRITAIN, Conn. — The Stanley Works filed suit Aug. 8 against Cooper Industries, Houston, citing trademark infringement, unfair competition and other violations of federal and Illinois law. The suit, filed in the U.S. District Court for the Northern District of Illinois, Eastern Division, alleges that Cooper has manufactured and marketed tape rules deliberately simulating the overall design of Stanley's Tape Rule Case Design registered with the U.S. Patent and Trademark Office. Cooper makes Lufkin and other brand tape rules.

FOR THE RECORD

Alan Close is vice president and general merchandise manager, hard lines at Ames Department Store. His title was reported incorrectly in the Aug. 1 issue of DSN.

Price Club Buys Grocery Wholesaler; Picks Up Valuable Real Estate Sites

By Pamela Krein

SAN DIEGO — The Price Club has entered into an agreement to buy grocery wholesale distributor Alfred M. Lewis for \$52 million.

The deal would give Price five large warehouse/distribution centers in California, Nevada and Arizona—ranging from 171,000 square feet to 483,000 square feet. The agreement also includes the sale to Price Club of 35, 10,000-square-foot cash and carry wholesale distribution outlets, which serve the grocery needs of small food stores in the Southwest.

While the latter business could provide Price Club with another new avenue to explore, the San Diego-based membership wholesale club's

vice president of finance Dan Carter said, at this time "the focus [of the acquisition] is primarily real estate."

The acquisition is currently in a six-week due diligence period, during which time Riverside, Calif.-based A.M. Lewis will open its books to Price Club's attorneys and accountants. Carter said the acquisition would be a cash purchase of A.M. Lewis' stock.

The move reinforces Price's commitment to property ownership and conservative growth, said Ward Lindenmayer, analyst with Sutro & Co. "You have to look at Price Club as a combination retailer and real estate player."

Lindenmayer said the acquisition provides a chance for Price to pick up valuable real

estate in markets where land values are relatively high. Although Price Club is not revealing its plans for the company, he speculated that Price will use whatever space it needs for a warehouse store and sell off the remainder. He does not expect Price Club to operate the wholesale grocery distribution business.

The five large warehouse/distribution sites provide Price with several good opportunities. The "crown jewel," as Price Club's Carter called it, is the largest site, located in the Northridge suburb of Los Angeles' San Fernando Valley. At the opposite end of the valley from an existing Price Club, the A.M. Lewis site is in a busy retail and residential area.

Auchan Mulls Pairing with Department Store

Hypermarket Heads to Minneapolis

By Peter Hisey

MINNEAPOLIS — Downtown Minneapolis may be home to its very own hypermarket if plans filed with and approved by the Minneapolis City Council by French shopping center developer LSGI (La Societe Generale Immobiliere) come to fruition.

But, a spokesman for the developer said that nothing is certain yet, and revisions of earlier plans may alter the original intention of pairing an Auchan hypermarket with an upscale department store.

According to Denny Daniels, director of program management for the Minneapolis

Community Development Agency, LSGI plans to build a 640,000-square-foot enclosed mall in the heart of the city. John Beal, a real estate consultant representing LSGI, said that the final figure should be approximately 670,000 square feet.

According to Beal, the original proposal called for a 200,000-square-foot Nordstrom department store, various specialty stores, underground parking for 1,200 cars (with above-ground parking for another 500 to 1,000) and, according to a letter of intent, an Auchan hypermarket. Auchan, the French hypermar-

ket operator, previously announced its intention to open U.S. hypermarkets in Houston and Chicago.

Auchan's intentions were made "before we had to revise our plans," Beal said. Revisions were made necessary when the owner of one parcel of land in the development sued to be excluded from the plan. LSGI is still in the process of reworking the plans, and Auchan will then have the option of participating or dropping out, Beal said.

LSGI is a major European shopping center developer, with centers in France and other European countries.

Sears to Carry More Nat'l Brands

CHICAGO — Sears has begun to identify the national brands it is adding in its attempt to strengthen its consumer electronics and appliance business, with Xerox home office and school products set to debut this month.

Sears is the first mass merchandise retailer to sell Xerox products. Other brand name products, such as Singer, Jenn-Air and Marantz, will

soon be available at Sears stores as the nation's largest retailer positions itself more squarely in direct competition with discount and CE chains.

Sears, Roebuck & Co. announced it will sell more than 60 different national brands of home appliances and consumer electronics, including its popular Kenmore label, in 13 stores in Indiana.

A complete rollout of the

program will begin in early 1989 and be completed in mid-1991, according to Michael Bozic, chairman and chief executive officer of Sears Merchandise Group. He said the new departments, named Brand Central, will open at a rate of one store per day.

Sears currently operates 813 full-line department stores.

(Continued on page 12)

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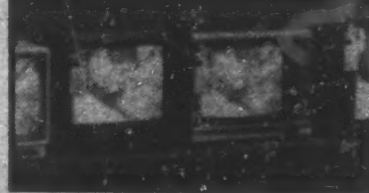
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Nationwide Drought Wilts Lawn & Garden Sales

(Continued from page 1)

K mart experienced an 8 percent gain in horticultural sales in 1987, Armstrong said. But because of the drought, he said, "I wouldn't even hazard a guess about 1988 sales."

The drought slowed sales of riding mowers, which had been doing exceptionally well earlier in the season, Armstrong said, although they still are doing well in parts of the South that aren't affected by the drought.

Chains "couldn't get enough" sprinklers and garden hose back in July, although the mower season died prematurely in most of the nation and green goods sales slumped when the drought struck with a vengeance in June. Despite recent rains in the Midwest, the drought hasn't been broken, said Walt Ehret, L & G buyer for The Andersons, Maumee, Ohio.

Yet, what is turning out to be a disaster for many home gardeners promises to become a bonanza for lawn and garden merchandisers next spring, and perhaps the fall, as homeowners replant and reseed their homesteads.

The Andersons, whose L & G season lasts from March through Nov. 1, was having an outstanding season until June 1, Ehret said. Sales were up 10 percent to 15 per-

cent over last year, he said. Bedding plants had risen 25 percent, he said.

Then the drought turned "an outstanding season into a mediocre one. The slowdown in sales was strictly related to the drought," said Ehret, adding gross profits will be off a percentage point or two.

The extent of compensating sales to replace lost green goods and lawns won't be known until next spring, Ehret said, when homeowners see whether their landscaping recovered in the fall and survived the winter.

Another big question mark for the fall will be availability of lawn seed and green goods—at a price consumers will bear.

Grass seed supplies are tight globally, Ehret said, and the supply of green goods also is being squeezed.

"I expect an increase in green goods sales this fall, if the supply lets us."

Prices on lawn seed and green goods will rise 5 percent to 10 percent, The Andersons' buyer predicted.

Baby boomers are driving L & G sales as they reach the key home buying age of 30 to 49, said Bruce Butterfield, research director for the National Gardening Association and a marketing consultant. The NGA 1987 survey, for exam-

ple, found that average expenditures for that age bracket came to \$293 last year, compared to \$251 for the population as a whole.

Total L & G expenditures rose 23 percent in 1987 to \$17.49 billion from \$14.21 billion in 1986. That followed an estimated 18 percent gain in '86 from \$12.03 billion in '85.

As usual, lawn care dominated the field, with sales of \$5.45 billion in 1987, compared to \$2.92 billion for the No. 2 category, landscaping.

Of 70 million households that participated in gardening last year, 15 million, or 21 percent, bought products from mass merchants and discounters, the survey found.

In addition to replacement sales of green goods, the drought may spur sales of related categories, such as water timers, drip irrigation systems, containers for gardening on patios and decks (which requires less water), and soil conditioners that hold moisture, such as Terrasorb, Butterfield said.

Color is popular now, Butterfield said, with homeowners shooting for flowering shrubs, trees and perennials, as well as annual bedding plants, that will produce a succession of color from spring through fall. Retailers need to plan their inventory to meet

Lawn & Garden Retail Sales 1986-87 (In Millions)			
Category	1987	1986	Percent Change
Lawn Care	\$ 5,449	\$ 4,317	26.2
Landscaping	2,921	2,176	34.2
Gardening	1,777	1,519	17.0
Vegetable Gardening	1,253	1,363	(8.1)
Tree Care	1,253	845	48.3
Indoor Houseplants	1,105	826	33.5
Insect Control	979	992	(1.3)
Shrub Care	840	659	27.5
Ornamental Gardening	471	166	183.7
Flower Bulbs	456	431	5.8
Other	987	912	8.2
Totals (In Billions)	\$17.49	\$14.21	23%

Source: National Gardening Association, 1987-88 Survey

that demand, he advised.

Convenience continues to lead the way in product lines, Butterfield said. Examples are hose-in lawn fertilizers such as Miracle-Gro and insecticides in ready to use pump bottles, he said.

Women are increasingly involved in gardening, said Armstrong from K mart. Women want an instant garden, "color right now," Armstrong said, and will buy through the summer, starting with 4-inch potted plants and

ending with gallon-size plants. Sales of color bedding plants have gained 20 percent to 25 percent over the past three years, he said.

Changing lifestyles that revolve around condos and decks boosted sales of planter boxes in hot colors—peach, mauve and slate blue—50 percent this year, Armstrong said. The K mart buyer plans to order 50 percent more of such merchandise next year from major vendors like Durco and Rubbermaid.

